



Agenda Item 3

April 16, 2014

ITEM NAME: Federal Legislative Representative -- Finalist Interviews and Selection

PROGRAM: Legislation

ITEM TYPE: Action

RECOMMENDATION

Staff recommends that, after the Finalist interviews, the Board determine whether to award the Principal Representative contract or reject all Principal Representative proposals and instead, rely on the combined expertise of CalPERS staff and the firms in the Spring-Fed Pool for federal legislative services.

EXECUTIVE SUMMARY

The purpose of this item is for the Board to interview the Finalists for the Principal Representative contract.

STRATEGIC PLAN

This agenda item supports Goal C of the 2012-17 Strategic Plan because a Principal Representative is a key component in CalPERS ability to engage in national policy development to enhance the long-term sustainability and effectiveness of our programs.

BACKGROUND

CalPERS seeks a Principal Representative with expertise in a number of areas, usually grouped under three main policy areas: health care, pension benefits, and investments/corporate governance. Generally, if a contractor does not have sufficient in-house policy expertise in all of these areas, he/she is permitted to engage a subcontractor for the area(s) in which he/she does not have expertise. The potential drawback to this structure is that the subcontractor relationship may not extend for the whole CalPERS contract term, and the subcontractor is not directly answerable to CalPERS. With this in mind, the purpose of the RFP was twofold, to award a four year contract for the Principal Representative and to create a Spring-Fed Pool of qualified contractors.

After releasing the RFP in November 2013, the Chief Executive Officer appointed a four-member Evaluation Committee, comprised of representatives from the Legal Office; External Affairs; Benefits, Programs, Policy and Planning; and the Investment Office, with technical assistance from Governmental Affairs and the Operations Services Support Division. Each member of the Evaluation Committee independently evaluated the proposers' Technical Proposals.

In January 2014, the Evaluation Committee met to discuss the reviewers' impressions and evaluations of the Technical Proposals. The Evaluation Committee then awarded a single score by consensus for each Technical Proposal. The Evaluation Committee received guidance and oversight from two members of the Board.

Points awarded for the Fee Proposals submitted by the proposers for both the Principal Representative contract and the Spring-Fed Pool were computed in accordance with the specifications of the RFP. The Fee Proposals consisted of an annual fee for Routine Services combined with the total fees using a weighted annual hourly rate for Services as Assigned. The total fees from each proposer represent their services for a four year contract. A breakdown of Routine Services and Services as Assigned can be found in Attachment 1. The RFP specified that the highest scoring proposal(s) for the Principal Representative, after the Technical Proposal and Fee Proposal scores were combined, as determined by CalPERS, would be considered the Finalist(s).

In March 2014, the Board selected three Finalists for the Principal Representative to be interviewed at the April 2014 Board Meeting. The following chart summarizes the scores and ranking of the Finalists for the Principal Representative contract.

Federal Principal Representative					
Current Rank	Proposer	Total Proposed Fees for Four Years	Fee Proposal Score	Technical Proposal Score	Total Score
1	Wexler Walker	\$880,000	300	123	423
2	Lussier, Gregor, Vienna and Associates	\$2,553,038	103	152	255
3	Alston and Bird	\$2,931,000	90	134	224

The following chart summarizes the scores and ranking of the proposers for the Spring-Fed Pool based on their combined Technical Proposal and the Fee Proposal scores.

Federal Spring-Fed Pool				
Current Rank	Proposer	Technical Proposal Score	Fee Proposal Score	Total Score
1	Wexler Walker	232	150	382
2	Alston & Bird	274	50	324
3	Williams and Jensen	231	82	314

At its March 2014 meeting, the Board determined that Wexler|Walker, Alston & Bird, and Williams and Jensen were all eligible to be awarded contracts for the Spring-Fed Pool, pending verification of compliance with the Disabled Veteran Business Enterprise Contract Participation Goal requirements of the RFP, and the successful negotiation of contracts. The RFP provided that if a proposer applied for both the Principal Representative and the Spring-Fed Pool, the proposer selected as the Principal Representative would not be awarded a contract for the Spring-Fed Pool.

ANALYSIS

Interviews will provide an opportunity for consideration of each Finalist’s proposal, including their organization, staff background and experience, potential for conflicts of interest, fee proposal, and any other specific areas of the proposal for which clarification is necessary.

Each firm will have up to 30 minutes before the Board (10 minutes for a presentation and up to 20 minutes for questions and answers).

The Board has two options for proceeding after the interviews: (1) award the Principal Representative contract to the Finalist with the highest total combined score, subject to final negotiations and satisfaction of all requirements; or (2) if the Board determines that, in the best interests of the System, none of the firms have shown in their proposal or interview sufficient expertise to adequately represent CalPERS as the Principal Representative, the Board may choose to reject all proposals for the Principal Representative contract and instead rely on CalPERS staff and the combined expertise of the firms in the Spring-Fed Pool.

Under the first option, upon completion of the interviews, the Committee will score the Finalists using the “trimmed average” scoring methodology set forth in the RFP. The final interview score of each Finalist will be combined with the Finalist’s Technical and Fee Proposal scores and the Finalists will then be ranked from highest to lowest. The distribution of maximum possible points is as follows:

- Technical Proposal: 200 points maximum
- Fee Proposal: 300 points maximum
- Board Interview: 500 points maximum

Total Combined Principal Representative Score: 1000 points maximum

Under the second option, External Affairs staff would need to evaluate the available internal staff resources and contractors in the Spring-Fed Pool to provide the needed federal legislative services. A Federal Legislative staff team would need to be identified and resourced with adequate seniority and expertise to analyze issues, provide leadership, set strategy and supervise, monitor and direct the activities of the firms utilized from the Spring-Fed Pool. Staff would recommend hiring a CEA-level position to manage this team and its efforts, plus hiring other staff as needed. Additionally, during the early phases of this transition, staff would need to make preliminary evaluations about the strengths, policy expertise and other resources offered by the firms in the Spring-Fed Pool in order to determine which firms would best provide the needed services for different CalPERS policy areas. Staff would also seek to expand the number of firms available to it by refreshing the Spring-Fed Pool. Finally, the Board may authorize the extension of the existing Federal Representative contract during this transition.

BUDGET AND FISCAL IMPACTS

- Under the first option, the total cost of services to be provided will be determined based on the fee proposal submitted by the successful proposer. The fees for Routine Services, Services as Assigned, or both, can be negotiated as part of the final contract with the Firm.
- Under the second option, the total costs of services to be provided are unknown but will be the result of services provided CalPERS staff and by firms in the Spring-Fed Pool. A new CEA position would cost approximately \$144,000 per year and additional staff and other resources may also be required. Costs associated with the Spring-Fed Pool will vary based on the fee proposals submitted by the proposers and the amount of services required.

BENEFITS/RISKS

- Contracting with a Principal Representative will provide CalPERS with a unified voice in Washington, DC, as well as critical information, coalition building, updates and analyses for the Board's consideration in setting the direction of CalPERS policy and operations.
- Contracting with firms in the Spring-Fed Pool will provide CalPERS with specialized policy and governmental relations needs, as well as critical information, coalition building, updates and analyses for the Board's consideration in setting the direction of CalPERS policy and operations.

ATTACHMENTS

Attachment 1 – Services To Be Provided

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